

May 12, 2010

ITEM NO. B5

**RATIFICATION OF THE FORMATION OF POMEROY HOUSING DEVELOPMENT, LLC
AND POMEROY SENIOR HOUSING LIMITED PARTNERSHIP WITH RELATED
DOCUMENTS NEEDED TO CLOSE THE TRANSACTION FOR THE REHABILITATION OF
POMEROY APARTMENTS**

To the Honorable Board of Commissioners:

RECOMMENDATION

It is recommended that the Board of Commissioners approve the attached Resolution ratifying the formation of Pomeroy Housing Development, LLC and Pomeroy Senior Housing Limited Partnership with related documents needed to close the transaction for the rehabilitation of Pomeroy Apartments.

FUNDING

N/A

EXPLANATION

Pomeroy Apartments, built in 1923, ("Pomeroy Apartments") is a mixed-finance renovation of a nine story building located in the Edgewater Community at 5650 N. Kenmore Avenue, Chicago, Illinois. This senior-designated apartment building originally contained 120 units, but the renovation plan entails unit reconfiguration into a one hundred four (104) one bedroom unit building plus a manager's unit. To facilitate the financing of the renovation of Pomeroy Apartments, a multi-tiered financing approach will be utilized. The Chicago Housing Authority ("CHA") will transfer the Pomeroy Apartments property to a tax-credit limited partnership known as Pomeroy Senior Housing Limited Partnership, an Illinois limited partnership (the "Owner" or "Partnership"). The General Partner of the Owner is an Illinois limited liability company known as Pomeroy Housing Development, LLC (the "General Partner"). CHA is the sole member of the General Partner. The General Partner is also the developer of the project and will manage the day to day affairs of the Owner. At closing, the Partnership will be comprised of a tax-credit investor as limited partner and special limited partner (collectively the "Limited Partner"), and Pomeroy Housing Development, LLC, the General Partner. The Limited Partner will own a 99.991% interest in the Partnership and the General Partner will own a .009% interest. Also at closing, the building will be transferred in fee simple to the Partnership.

Pomeroy Apartments will provide 104 units of public housing plus one manager's unit. CHA will lease the land underlying the building to the Owner pursuant to a 99-year ground lease. CHA will sell the building to the Owner and will finance the sale of the building through seller financing. Pursuant to a Regulatory and Operating Agreement between CHA and the Owner, CHA will provide operating subsidy to pay the reasonable expenses of operating the units.

One-hundred-four units will be ACC units and subject to low-income housing tax credit restrictions. Additionally, the 104 units will be reserved for households earning no more than 60% of AMI. The proposed renovation of the Pomeroy building will include the replacement of mechanical, electrical, and

plumbing infrastructure, new elevators, newly configured floor plans and common areas, new kitchen and bathroom fixtures and appliances, and exterior work that includes window and door replacement and selective masonry repair. The work includes all upgrades needed to meet local codes, ADA accessibility compliance, as well as LEED Certification components which will provide additional basis for tax credits.

The purpose of the Partnership will be to acquire, own, rehabilitate and operate Pomeroy Apartments. As further set forth in the partnership agreement, the General Partner will be responsible for managing the affairs of the Partnership. The General Partner will also contract with the Partnership to provide development services, for which the General Partner will be paid a development fee. The General Partner will guarantee to the limited partner and/or the Partnership certain matters customary in tax credit transactions. However, such guarantees will be satisfied solely from the assets of the Partnership and General Partner (including the development fee) and not from the assets of CHA.

Pursuant to the Operating Agreement governing the General Partner, the designated officers of the General Partner will be the Chief Executive Officer, the Chief Financial Officer, and the General Counsel, respectively, of CHA (the "General Partner Designated Officers"). The General Partner Designated Officers will have authority to conduct the affairs of the General Partner, although certain significant actions set forth in the Operating Agreement will require approval by the CHA Board of Commissioners.

The attached Resolution ratifies the formation of the General Partner and Partnership, and authorizes various significant actions which will be taken by the General Partner (either in its own capacity or as the general partner of the Partnership). Such actions include the execution and delivery of the partnership agreement and development agreement and the execution and delivery of various financing, acquisition, development and/or management documents, on behalf of the Partnership.

Contracts and agreements previously entered into by the CHA for the purpose of facilitating this transaction will be assigned to the Partnership upon closing.

RESOLUTION NO. 2010-CHA-65

WHEREAS, the Chicago Housing Authority (the “Authority”) is a municipal corporation and body politic and corporate organized and validly existing under the laws of the State of Illinois, including without limitation, the Housing Authorities Act, 310 ILCS 10/1 et. seq., as amended (the “Act”); and

WHEREAS, the Authority currently owns and operates Pomeroy Apartments, a housing property for elderly persons (the “Property”), located at 5650 North Kenmore, in the City of Chicago (the “City”); and

WHEREAS, notwithstanding the availability of funds under the Operating Subsidy and Capital Grant Funds, adequate funds have not been available to the Authority to provide proper maintenance and repair of the Property, and

WHEREAS, after considering a number of alternative methods to finance the rehabilitation of the Property, it was determined by the Authority to be necessary and advisable to sell and transfer the Property to a limited partnership legally capable of raising needed funds under the federal low-income housing tax credit program (the “tax credit program”), pursuant to the provisions and requirements of Section 42 of the Internal Revenue Code of 1986, as amended (the “Code”); and

WHEREAS, since 1986, as other federal low-income housing programs have been reduced or eliminated, the tax credit program has remained a critical component of the federal government’s assistance of affordable housing in the United States; and

WHEREAS, the United States Congress in the United States Housing Act of 1937, as amended, has encouraged local housing agencies such as the Authority to form affiliated entities in order to take advantage of the financial benefit provided by the tax credit program; and

WHEREAS, Section 2 of the Act provides that the Authority shall have all powers necessary or appropriate in order to engage in the rehabilitation, development and redevelopment of projects; and

WHEREAS, Section 8 of the Act provides that the Authority shall have all the powers necessary or convenient to carry out and effectuate the purposes and provisions of the Act; and

WHEREAS, Section 26 of the Act provides that it is the purpose and intent of the Act to authorize the Authority to do any and all things necessary or desirable to secure the financial aid or cooperation of the Federal government in the purchasing, acquiring, constructing, maintaining, operating improving, extending and repairing of housing projects; and

WHEREAS, the Authority will sell the building of the Property to the Owner and will finance the sale of the building through seller financing for the approximate price of \$5,500,000, amount to be determined by an independent third party appraisal.

NOW THEREFORE, Be It Resolved, by the Board of Commissioners of the Chicago Housing Authority:

PART I

Formation of General Partner and Partnership

Section 1.01 Formation of General Partner. The formation of Pomeroy Housing Development, LLC, an Illinois limited liability company (the “General Partner”), of which the Authority is the sole member, is hereby ratified and confirmed in all respects. The General Partner Designated Officers are hereby authorized to take all actions necessary to maintain the status of the General Partner as a limited liability company under the laws of the State of Illinois.

Section 1.02 Operating Agreement. The form of Operating Agreement presented to this meeting and attached hereto as Exhibit A is hereby ratified and approved in substantially the form presented to this meeting.

Section 1.03 Formation of Partnership. The formation of Pomeroy Senior Housing Limited Partnership, an Illinois limited partnership (the “Owner”), is hereby ratified and confirmed in all respects.

Section 1.04 Partnership Agreement. The original Partnership, which was formed pursuant to a certificate of limited partnership, presented to this meeting and attached hereto as Exhibit B, and an oral agreement (authorized under Illinois law) between the General Partner and Lewis A. Jordan, as the original limited partner, in his individual capacity and not in his capacity as Chief Executive Officer of the Authority, (the “Partnership Agreement”), are hereby ratified and approved. An amended and restated (written) partnership agreement, in the form approved by the Designated Officer, providing for the replacement of the original limited partner with an investor limited partner, is also hereby approved. The Chief Executive Officer or Chief Financial Officer of the Authority is hereby authorized to execute and deliver the Partnership Agreement on behalf of the General Partner.

Section 1.05 Development Agreement. The form of development services agreement presented to this meeting and attached hereto as Exhibit C is approved in substantially the form presented to this meeting and the Chief Executive Officer or Chief Financial Officer of the Authority is hereby authorized to execute and deliver the Development Agreement, on behalf of the Owner as well as on behalf of the General Partner in substantially the form presented to this meeting together with such changes and revisions as shall be approved by the Designated Officer executing the same, such approval to constitute conclusive evidence of this Board’s approval of such changes and revisions.

Section 1.06 Regulatory and Operating Agreement. The Chief Executive Officer or Chief Financial Officer of the Authority is hereby authorized to execute and deliver a Regulatory and Operating Agreement on behalf of the General Partner and the Owner.

Section 1.07 No Liability of the Authority. The debts, obligations and undertakings of the General Partner and the Owner shall be payable and/or satisfied solely from the assets and resources of the General Partner and the Owner, as applicable, and neither the Authority, the State of Illinois, the City or any other political subdivision of the State of Illinois shall be liable or responsible, directly or indirectly, for the payment or satisfaction of any such debt, obligation or undertaking, or for the performance of any pledge, obligation, or agreement of any kind whatsoever of the General Partner or the Owner.

Section 1.08 No Recourse. No recourse shall be had for the payment or satisfaction of any debt, obligation or undertaking of the General Partner or the Owner against any commissioner, member, officer, employee, agent, counsel or director, as such, past, present or future, of the Authority, to the

maximum extent permitted by law, whether by virtue of any constitution, statute, ordinance or rule of law, or otherwise.

PART II

Approval of Sale and Transfer of Property

Section 2.01 Sale and Transfer of Property. The sale and transfer of the Property to the Owner for a purchase price in the approximate amount of \$5,500,000, exact amount to be determined by an independent third party appraisal, is hereby approved in all respects.

Section 2.02 Purchase and Sale Agreement. The form of Purchase and Sale Agreement with respect to the Property (the “Purchase and Sale Agreement”) presented to this meeting and attached hereto as Exhibit D is approved in substantially the form presented to this meeting, and the Chief Executive Officer or Chief Financial Officer of the Authority is authorized to execute and deliver the Purchase and Sale Agreement, if necessary, on behalf of the General Partner and on behalf of the Authority in substantially the form presented to this meeting, together with such changes and revisions as shall be approved by the Designated Officer executing the same, such approval to constitute conclusive evidence of this Board’s approval of such changes and revisions.

Section 2.03 Approval of Purchase Option and Right of First Refusal Agreement. The form of Purchase Option and Right of First Refusal Agreement with respect to the Property presented to this meeting and attached hereto as Exhibit E is approved in substantially the form presented to this meeting, and the Chief Executive Officer or Chief Financial Officer of the Authority is authorized to execute and deliver the Purchase Option and Right of First Refusal Agreement on behalf of the Owner and on behalf of the General Partner in substantially the form presented to this meeting, together with such changes and revisions as shall be approved by the Designated Officer executing the same, such approval to constitute conclusive evidence of this Board’s approval of such changes and revisions.

PART III

Additional Approvals

Section 3.01 Development and Management of Property. The development and operation of the Property by the Owner is hereby approved. In order to accomplish those purposes, the Owner shall execute and deliver appropriate instruments and documents, including but not limited to, the construction contract, architect’s agreement and appropriate management agreement.

Section 3.02 Loan Transactions. In order to finance the costs of rehabilitating and equipping the Property, the Owner shall execute and deliver appropriate documents, instruments, mortgages and security instruments as may be required by the applicable lender.

Section 3.03 Tax-exempt Financing. It is recognized that the Construction Loan and Bridge Loan will be funded by CHA bonds, the interest on which is exempt from federal income taxation under Section 142 of the Internal Revenue Code of 1986, as amended. The Owner shall execute and deliver such documents and instruments as shall be required to support the tax-exempt status of such CHA obligations.

PART IV

Section 4.01 Immunity of Officers, Employees and Members of Authority. No recourse shall be had upon any obligation, covenant or agreement in this Resolution contained against any past, present or future commissioner, officer, director, member, employee or agent of the Authority, or of any successor public corporation, as such, either directly or through the Authority or any successor public corporation, under any rule of law or equity, statute, ordinance or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such commissioners, officers, directors, members, employees or agents as such is expressly waived and released by this Resolution as a condition of and consideration for the passage of this Resolution.

Section 4.02 Performance Provisions. The Chairman, Chief Executive Officer, Chief Financial Officer, and the Custodian and Keeper of the Records/Secretary, Board of Commissioners, be and each of them hereby is, authorized and directed to do any and all things necessary to effect the performance of all obligations of the Authority under and pursuant to this Resolution and the performance of all other acts of whatever nature necessary to effect and carry out the authority conferred by this Resolution, including, but not limited to, the exercise of any power or authority delegated to such official of the Authority under this Resolution, but subject to any limitations on or restrictions of such power or authority as herein set forth. The Chairman, Chief Executive Officer, Chief Financial Officer, the Executive Advisor to the Board, the Secretary and any Assistant Secretary of the Authority and the other officers, agents and employees of the Authority are hereby further authorized, empowered and directed for and on behalf of the Authority, to execute and deliver all papers, documents, certificates and other instruments that may be required to carry out the authority conferred by this Resolution or to evidence said authority.

Section 4.03 Severability. It is the intention of this Board that, if any Article, Section, paragraph, clause or provision of this Resolution shall be ruled by any court of competent jurisdiction to be invalid, the invalidity of such Article, Section, paragraph, clause or provision shall not affect any of the remaining provisions hereof.

Section 4.04 Prior Inconsistent Resolutions. If any provision of this Resolution is in conflict with or inconsistent with any resolutions or parts of resolutions or the proceedings of the Authority in effect as of the date hereof, the provisions of this Resolution shall supersede any conflicting or inconsistent provision to the extent of such conflict or inconsistency.

Section 4.05 Effective Date. This Resolution shall be in full force and effect immediately upon its passage as by law provided.

